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Dan Smoot Report

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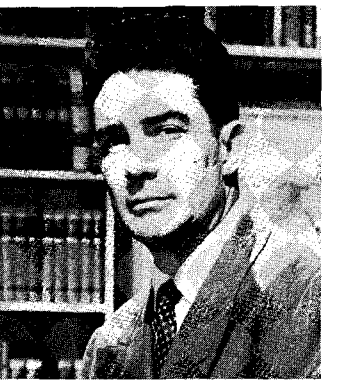

DAN SMOOT

PANAMA—PART I

The current trouble in Panama was precipitated when American high school students raised an American flag at an American school building on American territory. Legally, the Canal Zone is as completely and essentially *American* as any state in the American union. Neither the Republic of Panama nor any other foreign power nor any international organization has any sovereignty ("titular" or otherwise) or other indigenous rights in the United States Panama Canal Zone.

Early History

At the turn of the century, when the United States obtained the Panama Canal Zone, Earl Harding (now a vice president of the National Economical Council, Inc., Empire State Building, New York 1, New York) was a reporter for the old New York *World,* assigned to investigate events leading to the creation of the Republic of Panama and our acquisition of the Canal Zone. In 1959, Mr. Harding (using many original notes and documents which had never before been made public) wrote a book, *The Untold Story of Panama* (distributed by the Bookmailer, Box 101, Murray Hill Station, New York 16, N. Y.: price, $6.00).

The following historical sketch is, largely, based on Mr. Harding's book.

Opening the Panama Canal in 1914 was the fruition of four centuries of search for a waterway to link the Atlantic and Pacific Oceans.

The long, narrow strip of land connecting the North and South American continents is known as Central America and is, today, divided into 7 different nations. They are (reading down the map south from the southern border of Mexico) Guatemala and British Honduras, El Salvador

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and Honduras, Nicaragua, Costa Rica, Panama. The narrowest part of the strip is the Isthmus of Panama, stretching north from Colombia (on the northern tip of South America) to Costa Rica.

More than a century ago, much New York-to-San Francisco traffic passed through the Isthmus of Panama, via rivers, stagecoaches and wagons. Panama at that time was a province of New Granada (the nation then known as New Granada was later, and is now, called Colombia).

Even in those days, Panama was a land of perpetual civil disturbances, violence, graft, and organized lawlessness. North American travel through Panama was harassed by bandits and local politicians who either robbed outright or demanded extortionate transit dues. In 1846, the United States negotiated a treaty with Colombia, getting a guarantee of decent and orderly treatment of American shipping through the province of Panama. The United States promised to remain neutral in the endless revolutions troubling that area, and guaranteed Colombia's "rights of sovereignty and property" in its province of Panama.

In the 1870's, during the administration of President Grant, the United States government started investigations and negotiations for building a canal, not through Panama but through Nicaragua, which is 400 miles further north, closer to the United States. About the same time, the French government began negotiations with Colombia for building a canal through Panama.

In 1878, the French got a concession from Colombia for a canal through Panama. In 1889, the United States Congress chartered a company to build a canal through Nicaragua.

Both these schemes — the French and the American — failed. The French actually started work on their Panama canal in 1881; but the operation bogged down in insolvency resulting from disease, graft and mismanagement. The depression of 1893 dried up funds for the United States Nicaraguan venture and threw it into receivership.

Our agreement with the Nicaraguan government was still valid, however; and interest in a Nicaraguan canal revived in 1898 when (during our war with Spain) the battleship *Oregon,* in order to get from the Pacific to the Atlantic, had to go all the way around the southern tip of South America. Congress actually passed a bill authorizing construction of a canal through Nicaragua — which competent engineers (then as now) regarded as a more suitable place than Panama.

French interests wanted to unload their bankrupt Panama operations on the American government. They hired William Nelson Cromwell (head of a New York law firm in which such people as Allen and John Foster Dulles were later partners). Cromwell's lobbying convinced key members of Congress and of Theodore Roosevelt's administration that our Nicaraguan plans should be abandoned; that we should buy French interests in Panama for 40 million dollars, and build our canal through Panama. We did not have a treaty with Colombia, permitting us to build a canal through her province of Panama. Cromwell handled the necessary lobbying with the Colombian government. Colombia was willing to sell us canal rights through Panama, if the price was right.

On January 22, 1903, Dr. Thomas Herran (Colombian minister to Washington) and John Hay (U. S. Secretary of State) signed the Hay-Herran Treaty, by which the Colombian government would permit the United States to build a canal through Panama. The treaty was written, apparently, by lawyer Cromwell who (working for a fee from the French who wanted to sell their Panama properties to America) had managed to persuade both the American and the Colombian governments to make a deal; but the Colombian government did not like specific terms of the deal which its Ambassador, Herran, had agreed to. The proposed Hay-Herran treaty recognized United States sovereignty in the Panama canal zone, the United States government contending, properly, that it could not build and operate a mighty inter-ocean canal unless it had

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unlimited sovereignty over the waterway and surrounding land. But the Colombian constitution prohibited surrender of Colombian sovereignty.

Money consideration, however, rather than the vital question of sovereignty, motivated events which immediately followed the signing of the proposed Hay-Herran treaty. The treaty provided for a transfer of the old French canal concession in Panama to the United States. The Colombian government wanted the French to negotiate *directly with Colombia* for *permission* to transfer the concession to the United States. The reason: Colombia wanted 10 million of the 40 million dollars which the United States would pay the French for their property and concession.

Lawyer Cromwell (not wanting his French clients to be charged this 10 million dollar fee, or kickback) exerted enough influence in Washington to push the Hay-Herran Treaty through the U. S. Senate in a hurry. The U. S. Senate ratified the Hay-Herran Treaty on March 17, 1903. The Colombian Congress was scheduled to meet on June 20, 1903, to consider the Treaty; but the Colombian government was no longer responding to Cromwell's manipulations: the Colombians were determined to change the Treaty in order to guarantee that they would get 10 million dollars from the French.

Cromwell induced Theodore Roosevelt to send Colombia an ultimatum telling the Colombians that if they did not ratify the Hay-Herran Treaty soon, and without changes, "action might be taken . . . which every friend of Colombia would regret."

This ultimatum to Colombia was cabled from the State Department on June 9, 1903. Lawyer Cromwell — knowing that Colombia would reject the ultimatum — had already been conniving with a handful of opportunists in Panama to create a "revolution" which would detach Panama as a province of Colombia and set it up as an "independent" nation.

On June 14, 1903, a Cromwell-inspired-and-planted story appeared in the New York *World* — giving details on a forthcoming "revolution" in Panama, even predicting the exact date on which the revolution would occur: November 3, 1903.

As Cromwell had anticipated, the U. S. ultimatum aroused indignation in Colombia; and the Colombian government rejected the Hay-Herran Treaty on August 12, 1903. Propaganda, inspired and planted by Cromwell's agents in the American press, whipped the American public to anger against Colombia. By October, 1903, spokesmen for the Theodore Roosevelt administration were saying publicly: "We might make another treaty — not with Colombia, but with *Panama.*"

There was *no public sentiment* in Panama for revolution and secession from Colombia. The Panama revolution was fabricated by a New York lawyer and *five* ambitious men in Panama.

Cromwell, attorney and lobbyist for French interests trying to sell out to America, was general counsel for the Panama Railroad Company, which his French clients owned. This railroad company was then the dominant economic influence in the province of Panama. Cromwell selected five employees of the railroad to make the revolution in Panama — three of them North Americans; two of them, Colombians who lived in the province of Panama:

James R. Shaler, superintendent of Panama Railroad Company; Herbert G. Prescott, assistant superintendent; Captain James R. Beers, freight agent; Jose Augustin Arango, land agent and local attorney for the railroad, who was also a Colombian Senator from the province of Panama; Dr. Manuel Amador Guerrero, the railroad's medical officer.

Before the "revolution" actually occurred, Ricardo Arias, a wealthy rancher in Panama, and five other local businessmen were taken into the conspiracy. Philippe Bunau-Varilla, engineer and stockholder of the French Panama Canal Company, was active in France and the United States, as lobbyist, propagandist, and money-raiser in behalf of the Panama "revolution." In order to give the revolution a native flavor, the two Colombians acted as leaders: Senator Arango and Dr. Amador.

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On August 26, 1903, Dr. Amador (under pretext of traveling on family business) left Panama for the United States. His mission: to make certain of American financial, diplomatic, and military support. On October 27, 1903, Dr. Amador returned to Panama with his mission accomplished. United States Army officers, disguised as civilians, were already in Panama mapping possible offensive and defensive positions; and United States warships were steaming toward the Isthmus under orders to prevent any fighting.

The Colombian government dispatched a gunboat and 500 troops which arrived at Colon, Panama, ahead of the United States warships; but the Colombian forces were easily bribed either to go away or to join the revolution.

On November 3, 1903, the little group of conspirators proclaimed Panama's secession from Colombia.

On November 4, 1903, the revolutionists announced their new provisional government. Arango (the former Colombian Senator) was head of the government, and Dr. Amador was Secretary of the Treasury.

On November 6, 1903, the provisional government announced that Philippe Bunau-Varilla (the engineer and stockholder of the French Canal Company) had been appointed "Envoy Extraordinary" to the United States, with full powers to conduct diplomatic negotiations. Bunau-Varilla was already in the United States. This job was given him because he had been primarily responsible for getting guarantees of money (both in France and the United States) to finance the revolution. Most of the cost was payment of bribes to Colombian military forces.

On the same day — November 6, 1903 — the Colombian Colonel who had been sent to Panama to put down the "revolution" received his bribe and departed with his troops. This ended Panama's bloodless "war for independence."

On the morning of November 7, 1903, formal celebration of the end of the war and the establishment of the new nation occurred in the city of Colon. Major William Murray Black, United States Army, hoisted the new flag of the Republic of Panama (which had been pieced together in New York, three months before, by Mme. Bunau-Varilla, wife of the French engineer, now Envoy Extraordinary). The crowd cheered:

"Viva la Republica! Viva los Americanos!"

Early in the afternoon of that same day — November 7, 1903 — the United States Vice Consul General in Panama received cabled instructions from the State Department to enter into diplomatic relations with the "de facto" government of Panama. The "de facto" government's Envoy Extraordinary in Washington sent the U. S. Secretary of State a telegram expressing gratitude, saying:

"In spreading her protecting wings over the territory of our Republic, the American Eagle has sanctified it."

The new Panamanian government quickly adopted a constitution which gave the United States the right to,

". . . reestablish public peace and constitutional order in the event of their being disturbed, provided the United States shall, by public treaty, assume or have assumed the obligation of guaranteeing the independence and sovereignty of this Republic."

This was the birth of the Republic of Panama, where crowds now cry, "Gringos, go home," as radicals make speeches about Panama's revered founding fathers; about the nation's noble sufferings in her arduous struggle for independence and freedom; about Panama's glorious history and great traditions — and about the aggressive imperialism of the Yankee colossus who "took the Canal Zone away from the little Republic in the days of her infancy."

The birth certificate of the Republic of Panama was a treaty signed in Washington on November 18, 1903, by Philippe Bunau-Varilla and by U. S. Secretary of State John Hay. The Treaty was ratified by the government of Panama on December 2, 1903; ratified by the U. S. Senate, on February 23, 1904.

Article I of the Hay-Bunau-Varilla Treaty of 1903 says:

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"The United States guarantees and will maintain the independence of the Republic of Panama."

Article II of the Hay-Bunau-Varilla Treaty of 1903 says:

"The Republic of Panama *grants* to the United States in *perpetuity* the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said Canal of the width of ten miles extending to the distance of five miles on each side of the center line of the route of the Canal to be constructed . . . with the proviso that the cities of Panama and Colon and the harbor adjacent to said cities . . . . shall not be included within this grant . . . ."

Article II also granted the United States "in perpetuity, the use, occupation and control" of

"any other lands and waters outside of the Zone which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise."

Article III of the Hay-Bunau-Varilla Treaty of 1903 says:

"The Republic of Panama grants to the United States all the rights, power and authority within the zone mentioned and described in Article II of this agreement, and within the limits of all auxiliary lands and waters mentioned and described in said Article II, which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located, to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority."

Treatment of Colombia

American intrigue and power made possible the bloodless revolution which, in four days, detached Panama from Colombia and converted it into an "independent" nation. Hence, there was a brief period when Americans could experience a twinge of conscience about our treatment of Colombia; but we made ample amends. In all negotiations with the United States concerning a canal zone, the primary concern of Colombia was the money she would get out of the deal. The material benefits which Colombia has received directly from us (and, indirectly, from our construction and operation of the Panama Canal) are infinitely greater than the most ambitious expectations of the Colombians who tried to negotiate a deal with the United States in 1903 — infinitely greater than all benefits that would ever have accrued to Colombia from the Isthmus of Panama if the United States had never intervened and that land had remained a province of Colombia. Our treatment of Colombia since 1903 reflects a good-neighborliness unmatched in the history of any other great nation.

The Thomson-Urritia Treaty between Colombia and the United States was a long time in negotiation. It was not signed until April 6, 1914; and was not proclaimed, as legally accepted by both governments, until March 30, 1922; but it eliminated any smirch on our record. The Treaty aimed: (1) to remove "all the misunderstandings growing out of the political events in Panama in November, 1903"; (2) to restore "cordial friendship" between Colombia and the United States; and (3) to define "their rights and interests" with respect to the Panama Canal.

In Article I, Colombia recognized that title to the Panama Canal and to the Panama Railroad is "now vested entirely and absolutely in the United State of America, without any encumbrances or indemnities whatever."

The United States promised: (1) free transit through the canal for Colombian military personnel, equipment, and supplies; (2) equal status for Colombian and United States products and mails passing through the canal; (3) equal status for Colombian and United States citizens crossing the Canal Zone; (4) use of the Panama railroad for transit of Colombian mails and military and civilian shipments — in the event of interruption of canal traffic — on a basis equal to that of comparable mails and shipments of the United States; (5) equal status for Colombian and United States governmental personnel in the use of the Panama railroad; (6) transport by the Panama railroad of Colombian coal, petroleum, and seal salt — in event of interruption of canal traffic — free of charge except actual cost of handling, not to exceed one-

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half the charges levied on similar products of the United States.

In Article II, the United States promised 25 million dollars to compensate Colombia for loss of territory and revenue resulting from the secession of Panama.

In Article III, Colombia recognized Panama as an independent nation.

Treatment of Panama

In our 1903 agreement with Panama, we did not *lease* the Panama Canal Zone. We *bought* the Zone for 10 million dollars and a guaranteed annuity of 250 thousand dollars. This annuity was not a *rental* fee: it was a guarantee of revenue to keep the Panamanian government alive. We acquired full ownership and sovereignty, by grant in perpetuity, making the Canal Zone *United States territory forever.*

We did not get too much for what we gave in Panama: we got too little, as many authorities maintained at the time. When we acquired the right to build the canal, we accepted the responsibility to maintain it, to operate it efficiently for the benefit of all nations, and to defend it against all threats — whether from mobs, vandals, hoodlums, or aggressive military powers. A vulnerable, critically-important ten-mile-wide strip of land such as the Canal Zone cannot be easily defended by military bases confined within the strip itself. Hence, the Treaty of 1903 would have been more equitable for us, would have been entirely equitable for Panama, and would have prevented future disputes about sovereignty if it had granted the United States, instead of a ten-mile-strip of land, a zone 60 miles wide across the Isthmus, the entire watershed of the canal. The terminal cities of Panama and Colon should also have been included in the grant to the United States, to obviate friction resulting from dual sovereignty. Our government did not insist on a wider Canal Zone in 1903, because the Treaty gave us the right to *acquire any property anywhere in Panama* which might be needed for operation, sanitation, or defense of the canal.

In 1903, Panama, a land of chronic political instability, owned by a few wealthy families, was the pesthole of the world. Every virulent tropical disease conceivable had to be conquered before we could wrench worthless land from the voracious jaws of a steaming jungle and convert it into a mighty waterway which lifts ships over the bedrock of the continental divide. The miracle of sanitation which American individuals and American capital wrought in Panama — not just in the Canal Zone, but throughout the Isthmus — eliminated a noxious swamp of infection. Millions of American dollars and many lives of dedicated Americans went into that great task.

Neither Panama nor any other nation or combination of nations could have built the Panama Canal without the United States; and none gave us any help.

In 1936, we increased our annuity to Panama from 250 thousand to 430 thousand dollars. In 1955, we increased it to 1 million, 930 thousand dollars. This annuity amounts to more than half of net profits derived from operation of the canal. Gross revenue of the Panama Canal Company is about 87 million dollars a year. The net annual profit, however is less than 3 million dollars.[1] Thus, Panama — without any investment, and with no responsibility for operating, maintaining and defending the canal — gets most of the profits from its operations. The payroll of the Panama Canal Company is about 52 million dollars a year. Most of that is spent in Panama, to the benefit of Panamanians.[1] In addition to everything else, the United States (since 1946) has given Panama more than 121 million dollars in direct foreign aid.

Today, Panama is a nation of about 1 million people. The bulk of the population consists of descendants of West Indian negroes imported 60 years ago to work as laborers on the canal—and the progeny of these negroes interbreeding with native Indians. There is little native industry, and practically none of the technical skills necessary in a modern economy.

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From the day the Republic of Panama was born, her economy has revolved around benefits provided by the United States. Her political independence and military security and the health of her people depend on us; yet, Panamanian politicians, guided and goaded by communists, maintain a perpetual drumfire of criticism of the United States. It began in 1922, when the Thomson-Urritia Treaty (between the United States and Colombia) was proclaimed. As soon as the United States had paid Colombia for the loss of Panama, and Colombia had recognized Panama's independence, Panama no longer feared Colombia. Panamanian politicians immediately began demanding radical changes in the Treaty of 1903.

Prior to the administration of Franklin D. Roosevelt, our Presidents (deeming it their primary duty to protect United States national interests) rejected the unreasonable demands of Panama's political agitators. Roosevelt initiated a new policy, which his successors followed. Roosevelt, Truman, Eisenhower, and Kennedy behaved as if afraid or ashamed to use the power and prestige of the United States to protect our national interests in Panama — or anywhere else in Latin America. The result is that, today, a communist or other rabble-rousing politician in Latin America need only call a mob into the streets and whip it into violence with "anti-yankee" harangues: the U. S. President and Secretary of State make conciliatory statements and offer concessions.

The indications are that President Johnson will continue this policy of appeasement and surrender. The most alarming current news from Panama is that President Johnson (in an effort to appease the President of Panama) is trying to negotiate an agreement to give Panama the right and responsibility of defending a portion of *our* Canal Zone.[2]

Our treatment of Panama has *always* been magnanimous. Our only disservice to that nation has resulted from our government's efforts to comply with the outrageous demands of Panamanian politicians — thus encouraging them to keep their nation in turmoil, making it profitable for them to play politics with the "yankee-imperialism" propaganda of communism.

Part II

Next week, we will give a step-by-step account of the needless and ill-advised surrenders of American interests in Panama — surrenders which led directly to the present crisis. We will also outline the course of action that our government *should* take in Panama.

FOOTNOTES

(1) "Take-over Advocates Ignore Facts: Income From Canal Shores Up Panama's Economy," by Penny Lennoux of Copley News Service, *The Dallas Morning News,* January 14, 1964, Section 1, p. 7

(2) AP dispatch from Panama, *The Dallas Morning News,* January 12, 1964, Section 1, p. 1

WHO IS DAN SMOOT?

Born in Missouri, reared in Texas, Dan Smoot went to SMU in Dallas, getting BA and MA degrees in 1938 and 1940. In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for a doctorate in American Civilization.

In 1942, he left Harvard and joined the FBI. As an FBI Agent, he worked for three and a half years on communist investigations in the industrial Midwest; two years on FBI headquarters staff in Washington; and almost four years on general FBI cases in various parts of the nation.

In 1951, Smoot resigned from the FBI and helped start Facts Forum. On Facts Forum radio and television programs, Smoot spoke to a national audience, giving *both* sides of controversial issues.

In July, 1955, he resigned and started his present independent publishing and broadcasting business — a free-enterprise operation financed entirely by profits from sales: sales of *The Dan Smoot Report,* a weekly magazine; and sales of a weekly news-analysis broadcast, to business firms, for use on radio and television as an advertising vehicle. The *Report* and the broadcast give only *one* side in presenting documented truth about important issues — the side that uses the American Constitution as a yardstick. The *Report* is available by subscription; and the broadcasts are available for commercial sponsorship, anywhere in the United States.

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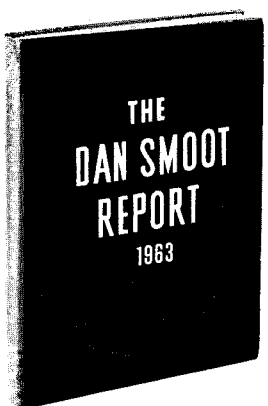

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